

Opening Statement of the Honorable Fred Upton
Subcommittee on Oversight and Investigations
Hearing on “Examining the Costly Failures of Obamacare’s CO-OP Insurance Loans”
November 5, 2015

(As Prepared for Delivery)

Hardworking taxpayers loaned \$2.4 billion to Obamacare’s CO-OP program, which was intended to create new non-profit health insurance insurers to increase choice and competition. Unfortunately for both taxpayers and consumers, it has been a mess with 12 out of the 23 CO-OPs having failed. That’s a success rate of 48 percent. Sadly, taxpayers are once again on the losing end as the 12 failed CO-OPs cost \$1.23 billion.

The CO-OP program faced an uphill battle from the outset. In fact, as early as 2011, HHS predicted that only 65 percent of the solvency loans and 60 percent of the start-up loans would be repaid. And those predictions might be considered rosy since they have done far worse. The statute and CMS regulations and policies have seemed to hamper the CO-OPs ability to succeed. For example, CMS has prohibited CO-OPs from raising capital from outside investors and capping enrollment numbers.

We have witnesses today who will offer valuable testimony, sharing unique perspectives and experiences with the CO-OP program, including state insurance regulators, CMS, OIG, and of course, the CO-OPs.

We have many questions, and the American public deserves answers. The committee wants to understand why do these CO-OPs continue to shut their doors? What can CMS do to help CO-OPs succeed? What can the administration do to recoup these vital taxpayer dollars from the failed CO-OPs? And what plans did the administration have in place to protect taxpayer dollars in light of HHS’ initial pessimistic predictions for the program?

Regardless of one’s view of the president’s health law, the law itself and its implementation demand oversight. It seems that the news gets worse by the day, with more and more taxpayer dollars squandered. The CO-OP program has sadly followed the same script. With 12 out of 23 having failed at a loss of over \$1.23 billion, who is taking responsibility and being held accountable?

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